

# **Marketing Plan Development for Indiana Furniture and Wood Product Companies**

Final Report  
End of Cooperative Agreement

June 17, 2005

## **Executive Summary**

### **Indiana Business Modernization and Technology trains Indiana Furniture and Wood Product Companies utilizing the Marketing User Group Format**

Indiana Business Modernization and Technology Corporation (BMT) is a 501(c)3 non-profit corporation founded 22 years ago to help Indiana businesses become more globally competitive. In mid-2004, the State of Indiana Office of the Commissioner of Agriculture awarded Indiana Business Modernization and Technology a FSMIP grant for the Indiana wood and furniture products industry.

BMT visited wood and wood product manufacturers statewide to explain the Marketing User Group (MUG) process and offer Indiana firms the opportunity to participate by becoming a part of the Marketing User Group. Twenty-one firms showed a serious interest in the MUG with sixteen starting the process, and 8 actually completing the entire marketing program.

Practically all of these firms fit the classic mold of being internally focused. They are experts at running their plants, choosing the species of tree, and building their products. Their sales/marketing, however, had been done haphazardly, mostly by word of mouth. The concept of figuring out who their most valuable customers were and why they were valuable was foreign to them. So was the idea of identifying key traits in these customers, developing an ideal customer profile based on those traits, and figuring out their competitive advantage. To their credit, those who completed the process were willing learners and worked hard. It was as if they knew they needed to know this and really tackled the project. Two of those who quit stated that it was just more work than their time allotted, which was likely the reason some of the others also quit. No one reported that it was not a good process or was not needed; just that it was more than they could do at the time.

The Marketing User Group (MUG) format consists of the following:

Each company receives an individual on-site visit to get started and to inform BMT what research the firm needs BMT to complete.

Market research and competitor research is then completed for the group. Customer Satisfaction Surveys (both by mail and by phone) are completed for each individual client's firm. With this information, the client firms can begin their plan. Each firm is provided a disc with the plan format and with numerous handouts to guide and channel their efforts. The 16 firms then started through the MUG process of 10 group sessions with homework in between sessions. By session 5, there was some concern about the homework, but after stressing its importance, the participants stepped up their efforts and created some excellent plans.

The generic plan shown in the third section of this final report is taken from both the disc provided to the groups and their individual efforts. It is generic to the point that it need not be restricted only to a wood product firm's use. As the generic plan formed, it occurred to everyone that other than the constant effort to find enough good trees at a price that made them marketable, the plan for these wood firms was not much different than the plan a plastic extruder of a machine shop would use. The need is still there to identify markets, research the customers, consider the competitors, develop a channel, figure out a competitive advantage, and put it all together so it can be implemented.

The instructor and author of this report would like to thank all of those who made it possible to help all of these Indiana "wood" firms. The US Department of Agriculture Report noted in the research section of this final report fits Indiana so well when it says: "The path to the future for the US furniture industry must be based on the only substantial competitive advantage we have – proximity to the market. This combined with innovative and novel ideas in all aspects of the furniture industry - design, supply chains, manufacturing, distribution, service, and customer relations – presents the opportunity for the industry to take advantage of the positive market outlook for furniture sales for the future." BMT, through the MUG process, taught the clients to market by providing a process to develop innovative and novel ideas in the areas of distribution, service, and customer relations.

## **Accomplishment of the Statement of Work Objectives**

### **II. Responsibilities**

Directly from the Grant Statement of Work.

B. The State Agency will:

1. Complete the objectives as defined in the project proposal titled, "Marketing Plan Development for Indiana Furniture and Wood Product Companies,":
  - a. To complete an analysis of the market for Indiana furniture
  - b. To assist a group of Indiana wood product manufacturers develop and implement individual marketing plans
  - c. To take the best practices from individual marketing plans and develop a generic marketing plan that could be adopted statewide.
2. Prepare a final report detailing all work done and results accomplished in a form acceptable to the Federal Agency.

## **To complete an analysis of the market for Indiana Furniture**

As part of the planning process, BMT believes that an analysis of markets, competitors, and the level of current customer satisfaction can greatly enhance the marketing plan. A company must be aware of its current position before it can start to plan.

BMT expanded the scope of this research once it was discovered that some firms in the group did much more than just market wood furniture. BMT subcontracted with the Wisconsin Innovation Center to do the analysis. **Two binders with several hundred pages of market and competitor research were given to each participating company. Originals are on file at BMT.**

Some key findings and excerpts from the analysis are as follows:

Furniture spending rebounded faster than expected in 2004 and will keep rising this year and next, although at a slower pace. U.S. consumer spending on furniture and bedding jumped 8.1 percent, and increased over the 2.4 percent rise in 2003. Spending is expected to grow 4.1 percent this year and 4.2 percent in 2006. A declining unemployment rate and higher disposable income have allowed for more furniture spending and should keep shoppers in stores. U.S. furniture factories will also see an increase in shipments with a predicted growth of 3.7 percent this year and 2.7 percent next year. (Furniture Today; January 10, 2005).

The future for the U.S. furniture industry as a whole appears to have a positive outlook according to the report, *Identifying Future Competitive Business Strategies for the Residential Wood Furniture Industry: Benchmarking and Paradigm Shifts* (March 2003 by the U.S. Agriculture Department). The report states:

“The path to the future for the U.S. furniture industry must be based on the only substantial competitive advantage we have – proximity to the market. This combined with innovative and novel ideas in all aspects of the furniture industry – design, supply chain, manufacturing, distribution, service, and customer relations – presents the opportunity for the industry to take advantage of the positive outlook for furniture sales for future decades.”

Low-cost imported furniture, and the price pressure on the U.S. plants that compete with the imports is believed to be holding down prices. Consumers are spending more money on cell phones, cable or satellite services, and internet access, which takes more disposable income away from consumers each month, which, in turn, could affect the furniture industry (Furniture Today; January 10, 2005).

## **Office Furniture**

After three down years, the office furniture industry is beginning to get back on track. The industry still faces a challenging business environment, but business is on the up swing. Sales in 2004 increased over the previous year's volumes, the first positive year since 2000. (Grand Rapids Business Journal; January 17, 2005).

U.S. Offices are becoming filled with more natural material. Design trends such as soft lighting, ergonomic furniture, and natural woods seem to have a greater emphasis on employee comfort. (The Colorado Springs Business Journal; January 14, 2005).

## **Educational Furniture**

Educational institutional furniture manufacturing in 2002 had a value of \$2.6 billion with a total of 725 establishments. The top 5 states for institutional furniture are: California (100), Texas (45), New York (42), Illinois (39) and Michigan (39), (US Census Bureau).

## **Hospitality**

Hotel construction is anticipated to accelerate in 2005, as reported by Lodging Hospitality (January 2005). This projected growth is attributed to an increase in net hotel openings, which is predicted to increase by 1.7 percent by the end of 2005. The anticipated majority of hotel openings will be upscale establishments with Courtyard by Marriott, Hilton Garden Inn and Residence Inn accounting for the most hotel construction.

## **Restaurant**

The restaurant industry is anticipated to spend \$74 billion on construction over the next 10 years, as reported by the National Restaurant Association (Washington, DC, 202-331-5900; [www.restaurant.org](http://www.restaurant.org)).

## **Home Furniture**

Household furniture spending is expected to grow 23 percent from \$64.1 billion in 2001 to \$78.8 billion in 2011. Research and Markets predicts that American household spending growth will continue at an average rate of 2 percent each year, “reflecting the pace of household growth and real household incomes”.

## **International Activity in Wood and Household Furniture**

Wood residential furniture imports surged during the first quarter of 2004 to reach \$3.6 billion, in increase of 14.6 percent over the same period in 2003. China shipped \$1.48 billion worth of household furniture into the U.S., including \$375 million of wood bedroom furniture, an increase of 29.3 percent over the first quarter of 2003. (Industrial Strength Woodworking: State of the Industry: June 2004).

## **Kiln Dried Hardwood Lumber**

The October 2002 census reported that the kiln dried lumber manufactured from purchased lumber had 130 companies with shipments of \$100,000 or more. Product shipments had a value of \$582 million (U.S. Census Bureau). With stable material costs and more new projects, millwork manufacturers look to 2005 with cautious optimism. Many members of the Architectural Woodwork Institute are optimistic that increased bidding and work on the books in the design community will make 2005 much stronger than 2004. (FDM; December 2004).

## **Hardwood Flooring and Trim**

Wood flooring for the next 5 years, is expected to remain a growth sector in the U.S. floor covering industry, according to the National Flooring Trends (April 2004). U.S. wood flooring sales are projected to reach \$3.4 billion in 2008, which will represent 12.8 percent of the total floor covering sales. Wood flooring dollar sales are expected to increase at a compound annual rate of 9 percent between 2003 and 2008.

## **Veneer and Veneer Logs**

Hardwood veneer and plywood manufacturing had 335 establishments and a value of \$1.3 billion in 2002. The top 5 states with establishments of hardwood veneer and plywood manufacturing are: North Carolina (54), **Indiana** (33), Wisconsin (24), California (21), and Michigan (15), (U.S. Census Bureau).

In the MUG classes, the instructor pointed out that there is a great deal of data and information contained in the research and analysis, but if the participants got nothing else from the research, it should be: **“The path to the future for the U.S. furniture industry must be based on the only substantial competitive advantage we have – proximity to market. This combined with innovative and novel ideas in all aspects of the furniture industry - design, supply chain, manufacturing, distribution, service, and customer relations - presents the opportunity for the industry to take advantage of the positive market outlook for furniture sales in future decades.”** (Identifying Future Competitive Business Strategies for the U.S. Residential Wood Furniture Industry: Benchmarking and Paradigm Shifts, March 2003, by the U.S. Department of Agriculture).

## **To assist a group of Indiana wood product manufacturers develop and implement individual marketing plans**

The group of clients who participated needs to be commended, because the Marketing User Group (MUG) is work. It requires time and effort from the participants. At the end of the process, the clients were asked to estimate how much time they had spent working on the MUG. One firm, Stemwood Veneers, estimated that their team had spent 322 man-hours working on their plan and their effort clearly showed. The Stemwood Plan was the benchmark to measure the others against and much of the generic plan that follows fits their format.

The Wood MUG groups met for 10 sessions at 3 locations on Tuesdays in New Albany, Wednesdays in Jasper and Thursdays in Warsaw.

The sessions started with 16 client firms:

Best Chairs, Ferdinand, IN - 5 sessions  
Dubois Wood Products, Huntingburg, IN - 4 sessions  
Landmark Wood Products, English, IN - 2 sessions

Stemwood, New Albany, IN - All sessions  
Midwest Lumber & Dimension, Jeffersonville, IN - 2 sessions  
Koetter Woodworking, Borden, IN - All sessions  
Jasper Chemical Coatings, Jasper, IN - All sessions  
Jasper Desk, Jasper, IN - 3 sessions  
Jasper Seating, Jasper, IN - All sessions  
Inwood Office Furniture, Jasper, IN - 6 sessions  
Davison HQS, Spencer, IN - All sessions  
R. Booe & Son Hardwoods, Brazil, IN - 5 sessions  
Klem Hospitality, St. Anthony, IN - All sessions  
Pike Lumber, Akron, IN - All sessions  
Borkholder Furniture, Nappanee, IN - All sessions  
PalletOne of Indiana, Shipshewana, IN - 4 sessions

The following eight firms finished the entire process and generated a complete plan:

Stemwood  
Koetter Woodworking  
Jasper Chemical Coatings  
Jasper Seating  
Davison HQS  
Klem Hospitality  
Pike Lumber  
Borkholder Furniture

What the BMT Marketing User Group strives to do is to teach each business to write their own plan, so they know what went into it, how it was done and what to do to change it when a “real world” problem affects them down the road. This is why the firms do much of the customer satisfaction survey themselves, because they will already have the skills if they want to do another survey in the future.

The MUG consists of:

- The initial on-site visit to start the client working on the customer satisfaction survey questions and reading the textbook
- Session 1, Strategy
- Session 2, Customer Analysis
- Session 3, Customer Satisfaction and Service
- Session 4, Competition
- Session 5, Products and Services
- Session 6, Market Analysis
- Session 7, Sales and Distribution
- Sessions 8 and 9, Presentation of Strategies
- Session 10, Sales Prospecting, Implementation and Budgeting
- Final individual on-site visit for final checking and last-minute questions

The first step was to teach the client firms how to do a customer satisfaction survey. BMT suggests a format and provides sample questions to guide the firms until they have a survey that fits their needs. BMT asks the clients to send a letter telling their customers that the survey will be undertaken and to please participate. BMT also sends a letter telling the client's customers that the survey is coming. The surveys are then mailed (up to 100 for each client). Several wood clients chose not to take part in this portion of the MUG. As the surveys are returned, they are reviewed. Open-ended phone questions are then developed to zero in on specific areas. BMT then calls 10 selected client customers to conduct interviews until there are least six phone interviews completed.

All of the information (including the original surveys that have been returned) is analyzed, a report is written, and everything is given to the clients in a 3 ring binder. One client stated that he could do his marketing plan just from the surveys by correcting every client complaint. With the market survey and competitor survey noted above, and the customer satisfaction survey just reviewed, the clients are ready to begin their plans.

Before the planning process begins, each firm is given a disc upon which they can fill in their plan as they go. The format and directions are also there for them, and numerous handouts to guide and focus the client's efforts are given to them. BMT provides the process, but the client does the work.

In the **first group session**, clients learn about strategy (the difference between strategic and strategy) and how to spot their Strategic Control Point (a point that if it controlled, not much else matters). They also learn the value of analyzing what they know about the markets so they can avoid strength and strike at weakness. They begin to learn the value of having a competitive advantage and finding a compelling reason that will prompt their customers to buy from them.

In **Session 2**, clients look at their customers and themselves. Clients do a Strengths, Weakness, Opportunities and Threats Analysis (SWOT) of their firm. Note that in the past, we have had firms use this as the basis for their entire plan. They take advantage of the strengths, cover or overcome the weaknesses, take advantage of the opportunities, and cover for the threats. Simple, but for some small firms, it may be all they need. In Session 2, clients must also begin to hone their vision. What do they want the firm to look like in 5 years? Any places where their vision is too nebulous, BMT uses the 5 whys to force them to tell what they really mean.

In **Session 3** (Customer Satisfaction), the clients complete their customer analysis worksheet. This exercise forces them to look at the entire customer, including profitability, and the resources it takes to serve them. From this analysis, they can identify their most valuable customers. From the most valuable customers, they can develop an Ideal Customer Profile. From this, they know what they should be looking for and where to focus their resources.

In **Session 4** (Competition), the clients review the research BMT provides them and then they do a SWOT Analysis of their competition. The Ideal Customer Profile and the SWOT Analysis guide them to Ideal Customers where perhaps their competitors are weak. It tries to limit the head-on price battles.



In **Session 5** (Products and Services), the clients are taught to look at their Most Valuable Customers from the customer's perspective. They are reminded that perception is the truth and to always think in terms of the customer's needs and to think feature - advantage - benefit. What is the feature of the client's product or service that is going to be of interest to the customer, what is the advantage of the feature, and how will it be a benefit. If this exercise is not done for a product or service, then the customer's decision will be based only on price, price, price.

In **Session 6** (Market Analysis), the firms review the market analysis BMT had done for them, and plan how to take advantage of what they have been taught. In this new market, are there any customers that fit the Ideal Customer Profile? Are their competitors who show up extremely strong in the SWOT analysis? Is it possible to do a positive Feature advantage Benefit analysis? If these questions cannot be answered, then more work is required before any more time and effort is spent.

In **Session 7** (Sales and Distribution), firms learn how to analyze their sales and distribution efforts. This was an area where several of the Wood MUG group were weak. They did the vast majority of their business by word of mouth and had little or no feel as to how to branch out and try new channels of distribution. Some were even unable to fill out the Distribution Analysis Worksheet, so this session went very slowly with much interaction among the clients in the rooms. With international competition and Internet availability, this is an area where these firms have to work and develop their channels. In the time allowed, these issues could not be resolved for some of the clients, but everyone had the opportunity to start thinking about what they will need to do to develop a channel that will serve their markets effectively.

In **Sessions 8 and 9**, the firms present the draft of their plans. Note that three firms dropped out after Sessions 5 and 6. Inwood stated that what they were developing was proprietary and would not present their plan.

In **Session 10**, prospecting is explored to keep a flow of new customers coming and budgeting both time and money, so they don't develop an impossible plan. Finally implementation is covered with specific objectives, elements, and timing. What gets measured gets done.

There is then a final individual on-site for each firm where any problem areas are covered and a discussion is held regarding anything the client did not want to present before the entire group.

After all this, the clients should be ready to better market their products or services. One client firm is part of a group of companies all under the same ownership. BMT has been asked to present a proposal to process the rest of the firms in this group through the entire MUG program.

**Taking the best practices from individual marketing plans and  
developing a generic marketing plan that could be used Statewide**

This generic marketing plan was assembled from the best ideas from the plans of the Marketing User Group (MUG) firms that completed the MUG process and from the BMT Guide Disc provided to each client company.

**This USDA Wood Product Marketing Plan** strongly suggests that all who utilize the plan remain nurturing stewards of the environment and forestlands while seeking to maximize value to all stakeholders.

[Name of Company]  
Marketing Plan  
[Date of Plan]

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# [Name of Company] Marketing Plan [Date of Plan]

## **I. Executive Summary**

[This section is written after the rest of the marketing plan is complete. The purpose of this section is if someone doesn't want to read the entire marketing plan, the Executive Summary can be reviewed to get the highlights of the plan and to gain awareness of the firm's marketing priorities.]

## **II. Vision**

[Indicate the Vision Statement (where the company wants to be in 5 years) for the company. The Vision Statement might need to be revised as the company progresses through the marketing process.]

## **III. Current Status**

### **Company:**

[Write a summary paragraph for each of the following: Strengths, Weaknesses, Opportunities and Threats. Make sure to indicate which are the top 5 for each area.]

[Briefly explain the SWOT Analysis process the company used.]

### **Products/Services:**

1.) In order of importance relative to sales and profits, write a brief statement for each of the Key Products and/or Services, including the following information:

- ◆ Features and Benefits – whatever gives the company a competitive advantage
- ◆ Pricing
- ◆ Percent of total sales
- ◆ Profit contribution or gross margin information
- ◆ Sales growth patterns

2.) Draft the Unique Selling Proposition for the Key Products covered above.

3.) Write a paragraph on any product or service modifications that are underway and any new products in development.

4.) Write down the company's strategy for gaining a competitive edge in each Key Product.

### **Customers:**

[Write a brief paragraph indicating the total number of customers who made a purchase from the company, and the number of Most Valuable Customers (those who make up 80% of the company's profits/sales and other key customers with strategic value) and why they are MVCs. Include key information on the Most Valuable Customers, such the markets/industries categories, their sales/profitability trends, what they purchase from the company, and pertinent information on current relationships.]

[Write a brief paragraph created from factual research on the level of satisfaction these customers have with the company.]

What must the company do to improve customer satisfaction?

[Write a brief paragraph or include a bulleted list identifying what the company's "Ideal Customer" looks like.]

### **Markets:**

[Write a brief paragraph listing what market segments are currently being sold, and the order of importance relative to sales and profits. Graph the current sales by market segment (several years back, if available). Graph gross profit, too.

[Write a few paragraphs for each Targeted Market Segment including the following:

- ◆ Description of the market segment (include applicable SIC codes, geographic scope that the company serves out of the total market segment.
- ◆ Key customers in the market (List all major ones, including those served by the company and currently not served.)

- ◆ Trends in the market. Changes and new happenings? Why? Expected results? (Be careful to identify verified facts vs. educated guesses/possibilities/speculation.)
- ◆ Growth pattern of the market (i.e. declining, growing, stagnant). Quantify wherever possible. What is happening?
- ◆ Any competitive issues to address? (Could be covered under Competition, and just referred to/summarized here.)
- ◆ Identified needs, and challenges of the market. Any unmet needs identified?
- ◆ How the company is positioned in this market. Who are the main competitors?
- ◆ SWOT items, obstacles, etc., listed for the company in this segment. These are the Issues that will/must be addressed in Strategies and Implementation Plans.
- ◆ The company's Sales potential for the market. Sales forecast by year.]

## **Competition:**

[Write a brief summary paragraph on what the competition looks like and the geographic scope of the competition.]

[Indicate the names of identified competitors, a brief description of each competitor, and their strengths and known weaknesses (as identified in the Customer Satisfaction and Competitor Research Summary Reports and by the company's own research.)]

[Write a paragraph on how the company currently has a competitive advantage.]

## **Sales/Distribution:**

[Write a brief summary paragraph to indicate which distribution channels are currently used breaking down current sales by distribution channel.]

[Write a paragraph on each distribution channel, including the following information:

- ◆ Markets reached through each channel, and how adequately.
- ◆ Buying influences reached/not reached, and how the customer's total buying decision is being covered.
- ◆ Strengths and weaknesses of each channel.
- ◆ Costs related to each channel.

[Write a paragraph on the company's current policies as they relate to its Most Valuable Customers.]

## **Lead Generation/Promotion:**

[Write summary paragraphs on the different methods used to generate leads for the company. Include information such as:

- ◆ # of leads generated for each activity.
- ◆ Cost and effectiveness of each lead generation activity.
- ◆ How are these leads used (process) to develop them into actual profitable sales?]

## **IV. Strategies**

### **Products/Services Strategies:**

[Write the company's product/service strategy for the next year including:

- ◆ Products/services to focus on in order to reach the company's sales goals.
- ◆ Pricing strategy for each product/service.
- ◆ List any product/service deletions with rationale.
- ◆ Any product modifications with associated timelines, costs, and rationale.
- ◆ Any product introductions with associated timelines, costs, and rationale.

[Include sales and profit forecasts for each product/service]

### **Customer Strategies:**

[Write your customer strategy for the next year including:

- ◆ Which Most Valuable Customers the company will attempt to grow and why.
- ◆ Customers the company will eliminate.
- ◆ Kinds of customers to focus on for new business (refer to the Ideal Customer Profile).

[Include sales and profit forecasts for the Most Valuable Customers]

### **Markets Strategies:**

[Write a paragraph explaining which markets the company will service in the next year including:

- ◆ Prioritization of markets with rationale.
- ◆ Specific strategies for meeting the needs for each market.

[Include sales and profit forecasts for each market segment]

## **Competition Strategies:**

[Write a paragraph explaining the company's current competitive position and the strategies on how to gain a competitive advantage by product and market.]

*Please note that if the company has different competition depending on the markets served; create a separate paragraph for each market.*

## **Sales/Distribution Strategies:**

[Write a paragraph explaining sales and distribution strategy for the next year including:

- ◆ Any changes planned to accommodate different kinds of customers or markets.
- ◆ What the strategy is for maintaining or growing existing accounts versus getting new business.
- ◆ Strategies on how sales calls and call frequencies were prioritized.
- ◆ Strategies for developing new markets (if appropriate).
- ◆ Strategies for improving quotation activity and hit rates.]

[Include sales and profit goals for each distribution channel]

## **Lead Generation/Promotion Strategies:**

[Write a paragraph or two on the company's strategies for lead generation including:

- ◆ Total number of leads needed to reach sales goals
- ◆ Types of activities to generate leads
- ◆ Frequency of activities
- ◆ Planned expenditures on lead generation]

[Write a paragraph on how the company will manage the leads generated to maximize sales gained and evaluate effectiveness.]

## **V. Obstacles/Constraints**

*NOTE: Now that the company has completed the marketing process, evaluated its current status, and created strategies, there will probably be new weaknesses and threats to add to the list and some that may no longer be relevant.]*



[Make a list of the obstacles/constraints to overcome, and the issues to be addressed (external and internal) in implementing the company's strategies for moving from the current status to the new Vision. After each obstacle or constraint, indicate the method to meet, counter and/or eliminate each obstacle/constraint.]

## **VI. Objectives**

[Write down the Objectives that will be used to measure the progress in moving from Current Status to the Vision, the progress in reaching the sales and profit forecasts, and the company's success in overcoming the obstacles/constraints. Include the systems planned to measure these objectives.]

## **VII. Budget**

*[Make sure to include all costs for each activity in the Marketing Plan. Include a sales forecast and profit goals. It is also suggested to include a list of assumptions used when creating the company's budget.]*

This concludes the final report for Agreement No. 12-25-G-0421.